

Brighton & Hove City Council

Strategy, Finance & City Regeneration Committee

Agenda Item 92

Subject: Council Tax Premiums on Second homes and Long-term Empty Properties

Date of meeting: Strategy, Finance & Regeneration Committee: 25th January 2024
Full Council: 1st February 2024

Report of: Chief Finance Officer

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Ward(s) affected: All

For general release

1. Purpose of the report and policy context

- 1.1 The Levelling-up & Regeneration Bill achieved Royal assent on 26th October 2023.
- 1.2 The Levelling-up & Regeneration Act ('the Act') is wide ranging, including devolution provisions across England, and enhancements to Local Authorities' abilities to move forward regeneration schemes.
- 1.3 The Act also allows councils to:
 - i) Levy a Council Tax premium on second homes of up to 100% subject to formal full Council approval one year in advance of introducing the levy, and;
 - ii) Levy a Council Tax premium on empty properties at an earlier point (reducing from two years to one year) from 1 April 2024.
- 1.4 Under Section 11C (3) of the Act, any decision to impose a new class of premium must be taken at least 12 months before the financial year in which it would apply. Billing Authorities intending to adopt a premium on second homes are therefore required to make that decision before 31 March 2024, in order for the premium to come into effect on 1 April 2025.
- 1.5 Approval, in principle, was obtained at full Council on 23 February 2023¹ to consideration of introducing a 100% premium on second homes, subject to an officer report being provided to Policy & Resources Committee (now SFCR committee) as soon as practicably possible following Royal Assent of the relevant legislation. This reports meets this requirement and seeks

¹ Council Meeting 23 February 2023, Item 122, General Fund Revenue Budget, Capital & Treasury Management Strategy 2023/24, Recommendation 2.1 viii). ([Subject: \(brighton-hove.gov.uk\)](http://www.brighton-hove.gov.uk))

formal committee approval of the intended policy to apply increased council tax premiums on second homes.

- 1.6 In summary, for this council to introduce a second homes premium, a new class of premium, full Council must formally approve this proposal before 31 March 2024 for it to be in place from 1 April 2025.
- 1.7 It is therefore proposed that SFCR Committee recommend to full Council that it approves the proposal to levy the second homes premium at the maximum level permitted from the earliest point in time namely 1 April 2025.
- 1.8 This committee is asked at the same time to approve the application of the empty properties levy once a property has been empty for one year (as opposed to two years) from 1 April 2024 onward, in line with powers made available under the new Act.

2. Recommendations

Strategy, Finance & City Regeneration Committee:

- 2.1 That the Strategy, Finance & City Regeneration Committee approves the proposal to apply the current 100% premium applicable to long-term empty and unfurnished properties after one year instead of two years from 1 April 2024 as permitted by the Levelling Up & Regeneration Act 2023.
- 2.2 That the Strategy, Finance & City Regeneration Committee recommends to full Council that it formally approves the recommendation that a new 100% Council Tax premium be applied to empty furnished properties (second homes) from 1 April 2025.

Full Council:

- 2.3 That full Council adopts the recommendation of Strategy, Finance & City Regeneration Committee at para 2.2 above and formally approves the recommendation that a new 100% Council Tax premium be applied to empty furnished properties (second homes) from 1 April 2025.

3. Context and background information

Premiums on second Homes and Long-Term Empty Properties

- 3.1 Note that Long-Term Empty properties are unoccupied, unfurnished properties. Second Homes are generally furnished second homes (e.g. an example may be someone who works and lives in geographically different places and has a home in each).
- 3.2 In May 2022 Government published the Levelling Up and Regeneration Bill, which includes proposals to further discourage the holding of empty properties via the application of council tax premiums, as well as measures that recognise the impact that high levels of second homes can have in some areas.

- 3.3 Historically, up until 2015 second homes effectively benefited from a reduced council tax charge. However, at that point the Council resolved to remove the discretionary discount and a full charge was applied. The enactment of the Levelling Up and Regeneration bill has provided billing authorities with the powers to apply a premium to second homes for the first time.
- 3.4 Additionally, the Levelling Up and Regeneration Act allows the City Council to reduce the minimum period for the implementation of a council tax premium for long-term empty unfurnished properties from two years to one year. In effect, after one year of a property being classified as empty, the council tax charge can increase from 100% to 200%.
- 3.5 There are exemptions to the premiums being applied that account for exceptional circumstances, for example, annexes forming part of, or being treated as part of, a main dwelling.

4. Analysis and consideration of alternative options

- 4.1 Applying a premium to second homes and empty properties allows councils to raise additional revenue and to acknowledge the impact that second and empty homes can have on communities and housing supply. In the case of empty properties, this may incentivise property owners to bring properties back into use.
- 4.2 Initial analysis indicates that the application of a 100% premium on second homes could increase the level of collectable council tax by approximately £2.9 million from 2025/26 onward based on the current number of second homes and assuming there is no behavioural change. The table below shows the full council tax including precepts from Police and Fire authorities:

Council Tax Band	Number of second homes	Current 100% charge £m	Second home premium applied
A	273	0.405	0.810
B	293	0.508	1.016
C	273	0.541	1.082
D	247	0.550	1.100
E	184	0.501	1.002
F	57	0.183	0.366
G	50	0.186	0.372
H	8	0.036	0.072
Total	1,385	2.910	5.820

- 4.3 Where previously there has been no incentive for property owners to differentiate between second homes and primary homes, the introduction of the additional premium will lead to the provision of more accurate information and, inevitably, an increase in avoidance behaviours. This is anticipated to result in some reduction of the numbers of properties categorised as second homes.

- 4.4 Similarly, there may be positive and negative behaviours as a result of the changes to the long-term empty property premium. Positive in terms of accelerating actions to bring homes back into use and negative in terms of increasing avoidance behaviour. Based on current data, the application of the long-term empty premium after one year instead of two, could increase Council Tax revenues by circa £0.913m from 2024/25 onward. The council's share equates to £0.766m. Taking account a prudent estimate for behavioural changes, a net increase in council tax of £0.500m will be incorporated into the council tax base for 2024/25.

Council Tax Band	Potential number of empty properties that will become subject to premium on 01/04/24	Current 100% Charge £ m	With premium applied £ m
A	107	0.159	0.318
B	112	0.194	0.388
C	121	0.240	0.480
D	52	0.116	0.232
E	47	0.128	0.256
F	12	0.039	0.078
G	10	0.037	0.074
H	0	0	0
Total	461	0.913	1.826

5. Community engagement and consultation

- 5.1 The Government consulted with local authorities on circumstances where properties could be exempted from the empty homes or second home premiums between the 6th July and 31st August 2023, before finalising the Act referred to here.
- 5.2 The Act does not require councils to consult formally with residents, homeowners or council Taxpayers before using the powers which form the basis of the proposals made here.

6. Conclusion

- 6.1 The Act offers councils the option, as Council tax billing authorities, to charge a premium on second homes and to reduce the time period before applying a premium to long-term empty properties. It is recommended that both of the proposals are applied to the maximum extent possible, as soon as possible, to further incentivise owners to bring properties back into use and to provide much needed revenue to secure the provision of essential local services to residents.

7. Financial implications

- 7.1 The implementation of the empty property premium after 1 year is estimated to generate £0.500m additional revenue for this council, after a prudential

adjustment for behavioural changes, and this is included in the taxbase report elsewhere on this agenda and will support the 2024/25 budget.

- 7.2 The Council Tax premium for second homes is estimated to generate £2.910m from 2025/26 of which this council's share would be £2.443m. However, this does not take into account any behavioral changes which will become apparent during 2024/25 as this change becomes more widely known. As a working assumption an estimated increase in council tax income of £1.600m will be included in the Medium-term Financial Plan for 2025/26 and will be subject to review when setting the tax base in January 2025.

Finance officer consulted: James Hengeveld Date consulted:04/01/2024.

8. Legal implications

The Levelling Up & Regeneration Act 2023 amends the Local Government Finance Act 1992 in the terms described in this Report, namely by allowing billing authorities the discretion for the purposes of levying Council Tax to a) treat as long-term empty dwellings properties which are empty for a minimum period of one year (as opposed to two) and/or b) to apply a new levy of up to 100% additional Council Tax in relation to dwellings occupied only periodically. If they choose to exercise either discretionary power, then billing authorities are required to have regard to any guidance issued by the Secretary of State. Regulations may furthermore be made limiting the application of this provision relating to periodically occupied properties, or 'second homes'.

- 9.1 The Act specifies the process be followed where billing authorities decide to make a determination in relation to b) (the new levy). This process requires a decision to be made by full Council by the end of this current financial year where there is an intention to levy the increased charge from 1st April 2025. It further includes the requirement that notice be published in one or more newspaper.

Lawyer consulted: Victoria Simpson Date consulted: 4.1.24

9. Equalities implications

- 9.2 No significant local data is held in relation to the characteristics of second home owners, however, national data provided by government in respect of 'An English Housing Survey 2021 to 2022: second homes - fact sheet' is included at Appendix 1 and an Equality Impact Assessment is provided at Appendix 2.

10. Sustainability implications

- 10.1 None Identified in this report.

Social Value and procurement implications

- 11.1 The premiums are designed to incentivise owners to bring properties back into use earlier than might otherwise be the case. This could improve the supply of housing in the city, bringing a range of social value benefits associated with any measure that may relieve pressure on housing demand, which remains very high in the city.

Supporting Documentation

1. English Housing Survey 2021 to 2022: second homes- fact sheet undertaken by the Government. [English Housing Survey 2021 to 2022: second homes - fact sheet - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/107112/English_Housing_Survey_2021_to_2022_-_second_homes_-_fact_sheet.pdf)
2. Equality Impact Assessment (EIA)